Raising money and funding

Business

Raising Money and Funding Raising Money and Funding Unsuccessful new businesses are at a rate as high as 95 percent because of several factors. Inadequate expertise by the starters of new businesses is a cause of high chances of failure. Feinleib, 2011, attributes low expertise among starters of businesses to inexperience in operating a business or improper training. Additionally, start-ups have challenges of inadequate finances, which may cause economic distress that may force such start-ups out of business. Competition from already established firms in the market may also play a role in the failure of new businesses.

Financial steps to reduce chances of business failure include ensuring that the business maintains ploughed back profits, good relations with creditors and suppliers, as well as improving entrepreneurial skills (Feinleib, 2011). The factors outlined guard the new business from problems related to inadequate finances and expertise. In addition, a business plan may help foresee potential failure in business.

A business plan is a statement that stipulates the business goals, an evaluation of internal and external business environments, and a plan on the means of attaining goals. The core elements of a complete business plan include the goals of the firm, its background information, means of achieving the goals, financial analysis, opportunities, and threats facing the firm, and the exit strategy (Feinleib, 2011).

Sources of funding for business owners include personal savings, donations from family and friends, bank loans, as well as venture capital. The sources are mainly essential for new businesses as a preventive measure against failure. Because banks may not offer unsecured loans, effective strategies of securing funding include using equity funding where the firm offers to sell part of its value to investors who become shareholders to the firm. In addition, venture capital is preferred, in which case the venture capitalist firm owns part of the firm and shares in its profits upon providing startup capital.

References

Feinleib, D. (2011). Why Startups Fail: And How Yours Can Succeed. New York: Apress.